

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

PROTECTING RETIREE DRUG COVERAGE

Section 1860D-22

- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) strengthens the safety net for seniors by providing financial incentives for employers to continue offering prescription drug coverage for their retirees. Today, employers and unions can drop retiree health coverage and some are doing so, highlighting the need for reform.
- This marks the first time that Medicare will provide payments and incentives to employers and unions so they won't drop coverage for retirees - a substantial improvement to the health care delivery system for seniors.
- Many beneficiaries who have such retiree benefits today are concerned that passage of the Act will erode their existing coverage. Although some retirees are concerned that their employer-sponsor coverage could be eliminated, it is more likely that those employers who do make changes would redesign their retiree drug benefits to wrap around the Medicare prescription drug benefit – just as they now do with medical benefits covered by Medicare – and thus continue to provide generous coverage to their retirees.
- Retirees whose employers continue to offer prescription drug coverage have the option to decline the new Medicare drug benefit and remain in their employer plan.
- To qualify for the employer-sponsored coverage subsidy, the employer or union would show that its coverage is as generous as, or more generous than, the new Medicare drug benefit in Part D. About one-third of Medicare beneficiaries currently have drug coverage through their former employer, and the coverage is typically among the most generous type available.
- The new federal subsidy will pay 28 percent of beneficiaries' drug costs between \$250 and \$5000. Employers will be able to receive federal subsidy payments on average of \$611 and as high as \$1330 per beneficiary.
- Beneficiaries who continue with their employer-sponsored drug coverage will be able at a later date, should their employer ever drop such coverage, to enroll in Medicare Part D without any late enrollment penalty.
- Also, seniors receiving coverage through Medicare will be entering a significantly stronger program that will now provide prescription drug coverage, preventive health benefits and more choices in their health care.